

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

GLEASON PROPOSED SUBSTITUTE AMENDMENT # 3

DATE PREPARED: March 21, 2005

COMPANY: Arizona Public Service Company

DOCKET NO. E-01345A-03-0437

OPEN MEETING DATES: March 24 and 28, 2005 AGENDA ITEM: U-1

=====

Page 13, between lines 24 and 25, INSERT a new paragraph to read:

“Although the ‘bandwidth’ proposed in the Settlement Agreement would limit change in the PSA to plus or minus \$.004 per kilowatt hour *per year* (emphasis added), we find that it is not in the public interest to allow the PSA rate to vary by this amount each year. Instead, the \$.004 per kilowatt hour bandwidth will apply over the term of the PSA or until the conclusion of APS’ next rate case, which ever occurs first.”

Page 31, STRIKE lines 14 and 15, INSERT a new Finding of Fact No. 20 to read:

“20. A Power Supply Adjuster (PSA) as set forth in the Settlement Agreement is in the public interest as modified herein to increase or decrease by no more than \$.004 per kilowatt hour over the term of the PSA, or until the conclusion of APS’ next rate case, which ever occurs first.”

Make all conforming changes.